

**MMA Testimony**  
**Senate Committee on Economic Development**  
**and International Investment**

**2/12/15**

Good morning, Mr. Chair and committee members. Thank you for the opportunity to be here today to talk about the talent challenge.

I am Mike Johnston, VP of Government Affairs for the Michigan Manufacturers Association. I have with me Brad Rusthoven, Human Resources Manager at Franchino Mold & Engineering, here in Lansing. He will provide you some real world insight.

Our Board of Directors has directed me to make talent a top priority for us. So, I am pleased to be here today to help start the conversation.

Mr. Chair, thank you for your leadership and strong interest in talent. We truly look forward to working with this committee to make progress on bridging the talent gap.

Having heard the Governor's budget presentation yesterday, we are very pleased that he is dedicating significant resources to the talent issue.

I would also like to acknowledge Governor Snyder for his leadership in creating the Talent and Economic Development Department (TED) and the new Talent Investment Agency (TIA). We believe it makes great sense to view talent development as an economic development issue. You had Steve **Arwood** as head of TED and **Stephanie Comai** as head of TIA here last week. We think highly of those two people. They will help bring a coordinated vision for all of the various and sometimes disparate state efforts on talent development.

We would also like to thank the Governor for his observations that the four year degree is not necessarily the only answer for our economy or for our children's careers. Michigan is a manufacturing state and one of the most critical components of success is a skilled workforce. Developing effective career and technical education will be critical to our state's long term success.

**MMA and Manufacturing**

Let me start by talking about the Michigan Manufacturers Association and its members. We represent over 2,500 companies. Manufacturing is the largest sector of the Michigan economy, representing 19% of the state's gross state product. Our members include some of the most iconic names in American manufacturing,

though 85% of our members employ 100 employees or less. While there is a tendency to think of manufacturing as large companies, the reality is the manufacturing sector is made up of a lot of small businesses.

Manufacturing employs 574,500 people in Michigan. And while the image of Michigan manufacturing is not as positive as it should be, the reality is exactly the opposite. Manufacturing is driving the Michigan recovery and in fact, Michigan has led the nation in manufacturing growth for the last five years, having created 114,000 manufacturing jobs.

Make no mistake Michigan is a manufacturing state. And that is a good thing.

In 2013, the average manufacturing worker in the United States earned \$77,506 annually, including benefits, which is 23.92 percent more than that of a worker across all industries (\$62,546)<sup>i</sup>.

Michigan has the highest concentration of Tool & Die shops in the nation, employing 13,340, with a mean wage of \$24.82 per hour, which is \$51,625.

## **Skills Gap**

With all of this job growth, employers are now running into a shortage of workers. Nationally, 75 percent of manufacturers report a moderate to severe shortage of skilled workers. One Michigan report from 2013, indicated that there were 5,000 skilled trades jobs advertised online.<sup>ii</sup> A Manufacturing Institute report estimated that the average manufacturer could be potentially losing more than 11 percent of its annual earnings as a result of skills shortage.<sup>iii</sup>

The challenge for companies is finding workers with the right skill set. I recently met with a company called **Niles Precision** in Niles Michigan. You probably have never heard of this company, but it makes fuel valves for virtually every jet engine in the world. They have very sophisticated machinery and need very sophisticated talent to run those machines, but they cannot find people to run those machines. This is becoming a barrier to growth for them. They could do more work, if they could find more skilled workers.

In addition, Manufacturing has a demographic problem. More than 50 percent of Michigan manufacturing workers will reach retirement age in the next ten years. That will be a real challenge for economic growth, if we can't replace those skilled workers.

So what can we do on a statewide level? Here are some suggestions:

## **Image**

We hear from our members that at the core of their challenge to attract young people to manufacturing, is the general image of manufacturing. Students tend to think manufacturing in terms of the three "D"s – Dark, Dirty, and Dangerous. The reality is much different. Modern advanced manufacturing is clean, safe, highly technical and a lot more like the video games they play.

We encourage you to consider a statewide image campaign to help change the image of manufacturing and manufacturing jobs. If we can change the perception of manufacturing, we can talk more effectively to student, parents and counselors about all of the economic advantages of career and technical training.

The most important part of this equation is probably the parents. But we need to speak to students, parents, and counselors in ways they will understand. That means a professionally designed image campaign.

There are many earn and learn opportunities where manufacturers will help pay for education, while students earn income. These students can begin making \$20,000 to \$30,000 a year, while their four year degree cohorts are going seriously debt. Most parents probably are not aware of the income potential from career and technical education.

There are several dual enrolment programs like MAT2, and the early middle college program, but the success of these kinds of programs are based on the initial perception of manufacturing jobs. We need to change that perception for a parents, counselors and students with a robust, well researched statewide image campaign.

### **Demand Driven**

In developing any new efforts on talent, we would encourage you to consider making state programs demand driven. As the largest sector of the economy, manufacturers are the primary customers for the educational system. The system will only be successful when it is delivering what the customer wants and in a timely way. So we need to make sure state programs are demand driven.

### **Skilled Trades Training Fund**

We were very pleased the Governor proposed doubling the funding for this program to \$20 million. This program started in 2014, and dedicated resources to training for the skills that manufacturers need. It provides \$1,500 per trainee, or \$3,000 for apprentices for short term training (3 months or less) to meeting the needs of the manufacturer.

This effort has been very successful. In 2014, \$8.2 million in awards leveraged \$44.7 million in private funds and created and retained 4,000 jobs. After six months the average wage was \$24.21 or about \$50,000 annually.

We would encourage you to support the expansion of this successful program.

### **Work Keys High School Graduation Endorsement**

Every Michigan High School Graduate receives an ACT Work Keys Endorsement. However, no one really knows it, because we don't give them certificates to prove it. We have spent millions on this Work Keys testing endorsement. We should highlight this, but making sure our students get a copy of this certificate, which helps employers know they are work ready.

## Conclusion

In conclusion, Michigan is a manufacturing state. The talent challenge is a clear barrier to economic growth. We look forward to working with all of you to find ways to bridge the talent gap, grow manufacturing jobs, and help keep our kids in this state.

Thank you for the opportunity to be here today.

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<sup>i</sup> Bureau of Economic Analysis, 2013

<sup>ii</sup> Employment and Occupations in the Skilled Trades in Michigan, June 2013. State of Michigan, Department of Technology, Management and Budget, Bureau of Labor Market Information and Strategic Initiatives.

<sup>iii</sup> Out of Inventory, Accenture 2014 Manufacturing Skills and Training Study, The Manufacturing Institute